



NAVJEET K. BAL
COMMISSIONER

The Commonwealth of Massachusetts
Department of Revenue
Office of the Commissioner
P.O. Box 9550
Boston, MA 02114-9550

January 21, 2009

The Honorable Robert A. DeLeo, Chair
House Committee on Ways and Means
State House
Room 243
Boston, MA 02133

The Honorable Viriato Manuel deMacedo, Representative
House Committee on Ways and Means
State House
Room 124
Boston, MA 02133

The Honorable Steven C. Panagiotakos, Chair
Senate Committee on Ways and Means
State House
Room 212
Boston, MA 02133

The Honorable Michael R. Knapik, Senator
Senate Committee on Ways and Means
State House
Room 419
Boston, MA 02133

Honorable Chairmen and Ranking Minority Members of the Ways and Means Committees:

Pursuant to Chapter 196 of the Acts of 2008, the Department of Revenue hereby submits its mid-month tax collection report for the month of January 2009. The attached table shows January 2009 month-to-date and FY2009 year-to-date tax revenue collections through January 15, 2009, along with the dollar and percentage changes from the same collection period in January 2008. Also shown are the percentage growth amounts for the full month of January 2009 and for FY2009 year-to-date through the end of January 2009 that are assumed in the newly-revised benchmarks corresponding to the January 13, 2009 Executive Office for Administration and Finance FY2009 tax revenue estimate of \$19.450 billion. Please note that the \$19.450 billion estimate and the January 2009 month-to-date and year-to-date budgetary fund collection totals do not include increased cigarette tax collections resulting from the July 2008 increase in the cigarette tax, which are dedicated to the Commonwealth Care Trust Fund, a non-budgetary fund. However, the increase in cigarette tax collections resulting from the higher cigarette tax is shown in a separate line at the bottom of the table. The estimate of the amount of cigarette tax revenue

to be transferred to the Commonwealth Care Trust Fund in FY2009 has been revised downward from \$174 million to \$160 million.

Through January 15, 2009, January 2009 month-to-date tax collections totaled \$857 million, down \$248 million from the same period in January 2008, with the full month January benchmark (based on the \$19.450 billion estimate) projecting total tax revenues of \$1.767 billion, a decrease of \$434 million from January 2008. The month-to-date decline through January 15th was primarily the result of a drop in income tax estimated payments, which were down \$253 million from the same period in January 2008, most likely caused by a decline in tax year 2008 capital gains taxes. A decline in capital gains taxes was reflected in the revised January 2009 benchmark, which projects a \$308 million drop in income tax estimated payments (through which a significant portion of capital gains taxes is remitted) for the full month. Historically, most of the change in January estimated payments has occurred in the first half of the month, as the Department processes payments mailed by December 31st.

Month-to-date withholding taxes through January 15, 2009 totaled \$438 million, down \$9 million from the same period in January 2008, compared to the revised benchmark estimate that projects a withholding decline of \$104 million for the full month. The revised January withholding benchmark reflects both a projected decline in bonus income and two timing-related changes, one of which is expected to reduce withholding collections by \$85-\$90 million on the last day of the month. Taking these timing factors into account, through January 15th withholding revenues were running about on benchmark for the month.

January 15th was too early in the month to make any judgments regarding January sales tax collections, which are due on January 20th of each month and reflect December sales. For the full month of January 2009, sales tax collections are projected to decline by \$27 million from January 2008 due to expected weakness in holiday-season sales as well as one less deposit day this month.

January is not a significant month for corporate and business taxes, as there are no estimated payments or payments with final tax returns due for most corporations.

Three additional caveats are in order when considering the attached report:

- In January, a significant amount of collection activity occurs during the second half of the month, primarily because sales, meals, motor fuels, and rooms tax payments are due on the 20th of each month. Therefore, month-to-date growth comparisons for those tax types before the third week of the month are not necessarily indicative of final collections for the full month;
- January 2009 has one less deposit day than did January 2008, which means that collections over the remainder of January 2009 could be lower than they were in January 2008, particularly in light of a calendar effect that will shift \$85-\$90 million in withholding tax payments from January to February this year. (This year's shorter month and the withholding tax shift were taken into account in the revised January 2009 monthly benchmarks.) As a result, by the end of this month collections in some revenue categories will probably lose ground relative to January 2008;
- There may be other differences in the due dates for certain tax payments from one fiscal year to the next (e.g., in withholding payments) which complicate month-to-date comparisons to the prior year.

As a result of these considerations, revenues received through January 15th as reported in the attached table may not be indicative of what the final results for the full month will be. Specifically, they do not necessarily represent one-half of the revenues to be received in the full month and the month-to-date growth rates compared to January 2008 could change significantly by the end of this month. Any variances from the monthly benchmark at this point in the month should not be relied on as an indicator of what total final revenues for the month will be, compared to the full month benchmarks.

If you have any questions concerning this report, please contact either me (at 626-2201) or Howard Merkowitz, Director of the Office of Tax Policy Analysis (at 626-2100).

Sincerely,

A handwritten signature in dark ink, appearing to read "Navjeet K. Bal". The signature is fluid and cursive, with the first name "Navjeet" being more prominent.

Navjeet K. Bal
Commissioner

Attachment

cc: Leslie A. Kirwan, Secretary of Administration and Finance
Representative Salvatore F. DiMasi, House Speaker
Senator Therese Murray, Senate President
Representative John J. Binienda, House Chair, Joint Committee on Revenue
Senator Cynthia Stone Creem, Senate Chair, Joint Committee on Revenue
Representative Bradley H. Jones, Jr., House Minority Leader
Senator Richard R. Tisei, Senate Minority Leader